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ABSTRACT

Because Australia and the United States have similar backgrounds, constitutions, and concerns about equal educational opportunity, says the author, an examination of Australia's extensive, longtime federal aid to private elementary and secondary schools may provide useful evidence in Americans' debate over public funding for private education. The author first describes Australia's private or nongovernment school sector, which accounts for 21 percent of total enrollment and is preponderantly Roman Catholic. He recounts the development of government support for nongovernment schools, especially since the 1950s, reviews the types and amounts of government aid, and compares government aid and schools' expenditures per pupil for public and private education. Next the paper discusses a 1981 Australian High Court decision on government funding and the constitutional separation of church and state, noting differences and similarities between the Australian and U.S. constitutions. Also noted is the recent increase in private schools' share of Australian enrollment and government educational aid, after a decline in the 1960s and 1970s. The author concludes by relating the Australian experience to U.S. questions about government funding's effects on enrollment, public school finances, character of the student body, private school regulation, equity, and mobility. (RW)

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Government Finance of Private Education: A Review of the Australian Experience

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Introduction

Proposals to expand the scope of financial support for private elementary and secondary education have been on the Federal policy agenda for nearly two decades. While the major focus of public attention has been on tuition tax credit legislation, proponents of funding have also advocated other types of assistance schemes, including vouchers and direct grants to low income families (Baby BEOGS), similar to those in use in higher education. It is generally argued that these new forms of financial assistance will expand choice in education to the less affluent, stimulate competition between the public and private sectors, and thus improve the general quality of education for all children. Opponents of aid cite concerns about equity, arguing that increased aid to private education will promote further economic and racial stratification in society and result in the demise of the public school system.

Invariably, when proposals for tax credits or vouchers reach the policy arena, the same types of question arise concerning their potential impact. Among the points that are raised are the following:

- What effect will assistance to private education have on public and private school enrollments?

- What will be the impact of assistance on financial support for the public schools at all levels of government?

- What will be the impact of aid on the character of public and private schools? Will public schools become the "dumping ground" for the least fortunate elements of society? Will regulation of private schools increase to the point where they become indistinguishable from public schools?

- Finally, what are the consequences of public assistance to private schools for public concerns about equity and social mobility?

Arguments about the consequences of various funding proposals are usually rhetorical and highly speculative as an empirical base for estimating parental response to financial incentives is lacking. Most analysts seem to agree that modest tax credits are not likely to produce significant enrollment shifts from the public to the private sector; nor are they likely to produce the desired effects regarding competition and choice. The effects of larger credits or vouchers, however, are more uncertain. The impact will be shaped by the specific details of the proposal, the level of financial benefit relative to the total cost of schooling, differential increases in demand for private education across localities and States, as well as among racial and income groups, the supply of private schools, and the potential for supply to expand to meet the expected increase in demand.

In contrast with the United States where there has been relatively little experience with public funding of private education, most other countries in the developed world provide extensive public financial support for private schools. Arrangements currently in use are quite diverse, reflect each country's unique historical development, and in the case of sectarian schools, are of long-standing duration. Attempts to draw on many countries' experience to assess the implications of funding changes in the United States would therefore be of limited value. There are, however, one or two countries which are similar to the United States in many important respects and which have funding arrangements of more recent vintage. Observations about their experience with public funding may provide some empirical evidence for policymakers to draw on as they consider this important policy issue.

Australia is a country which clearly fits the bill. Even a cursory examination of the history and the economic, political, and social backgrounds of the United States and Australia suggests a strong degree of commonality between the two countries. They share a common language and similar traditions, similar constitutional provisions and governmental structures, and a long history of exchange of ideas and practices. Further, in the area of educational policy, the Commonwealth Government in Australia and the Federal Government in the United States have shared many similar concerns, most notable among them equality of educational opportunity. Towards this end, they have developed a range of categorical programs, including programs for such special needs groups as the handicapped, the educationally and economically disadvantaged, and children with limited proficiency in English. Third, in terms of their constitutional provisions concerning the relationship between church and state, the United States and Australia are probably closer than any other countries. While a recent court interpretation of the Australian Constitution differ from current judicial interpretation of the Constitution in the United States, for many years the two were construed in similar ways. Finally, among Federal countries, only Australia provides extensive financial support for private education at the Federal level. The analogy for Federal policy in the United States is thus closer than in other Federal countries such as Canada and the Federal Republic of Germany, where funding is derived largely from provincial or state sources.[1]

This paper attempts to provide some observations about the Australian experience with financing private education and to draw some implications from this experience for American policy. To set the context for these observations, the paper is organized around the following topics. In the first section, a description of the private school sector and government financial support for private schools is presented. The second section examines some of the most important issues which have arisen concerning public financing of private schools. The third section returns to the issues raised at the beginning of this discussion and examines Australian developments in relation to these questions. It then attempts to draw out the implications of these developments for Federal education policy in the United States.

Government Funding of Private Schools

The Private School Sector: Past and Future Trends - Primary and secondary schools in Australia are organized into three major sectors: government (public) schools, operated by State authorities in the six States and by territorial administrations in the Northern Territory (NT) and the Australian Capital Territory (ACT); Catholic schools, operated either as part of diocesan "systems" or as separate schools run under the aegis of a religious order; and other non-government (private) schools most of which are also operated by religious groups. After Catholic schools, denominational schools with the largest enrollments include those affiliated with the Church of England and several other Protestant churches.

The private school sector has traditionally comprised a large proportion of school enrollments in Australia than in the United States. In 1978, non-government schools enrolled 21.2 percent of the approximately 3 million primary and secondary school students, with Catholic schools comprising 16.8 percent and other non-government schools 4.4 percent of total enrollment. Non-denominational schools and schools without

[1]For a more extensive comparison of the United States and Australia, see Joel D. Sherman, "Federal Education Policy in Australia: Implications for the United States," Working Paper, School Finance Project, National Institute of Education, March, 1981.

a religious affiliation represented less than one percent of school enrollments. (Schools Commission, 1979). There are, however, differences in the composition of enrollments across the school sectors. In government and Catholic schools, nearly two-thirds of the pupils are enrolled at the primary level, while in other non-government schools the proportions are nearly reversed. Consequently, the proportion of children enrolled in non-government schools is higher at the secondary level than at the primary level, particularly in non Catholic schools. (See Table 1.)

Table 1

Primary and Secondary School Enrollments in Australia, 1978

Type of School	Total Enrollment	Primary Enrollment	Secondary Enrollment
Government Schools	78.8%	81.0%	75.0%
Catholic Schools	16.8	16.5	17.3
Other Non-Government Schools	4.4	2.5	7.7

Source: Schools Commission, Australian Students and their Schools, Canberra, 1979.

Enrollments in the three school sectors show some variation from the national average in Australia's States and territories. In 1978, the proportion of children in non-government schools ranged from lows of 14.6 percent in South Australia and 15.4 percent in Tasmania to highs of 24.9 percent in Victoria and 26.9 percent in the Australian Capital Territory. Victoria also had a higher percentage of children enrolled in non-Catholic, non-government schools than all other Australian States. (See Table 2).

Table 2

School Enrollments in Australian States, 1978

State	Government Schools	Non-Government Schools		
		Total	Catholic	Other
New South Wales	78.6%	21.4%	18.0%	3.4%
Victoria	75.1	24.9	18.7	6.2
Queensland	78.6	21.4	17.7	3.7
South Australia	85.4	14.6	10.1	4.5
Western Australia	82.8	17.2	13.2	4.0
Tasmania	84.6	15.4	10.8	4.6
Australian Capital Terr.	73.1	26.9	22.4	4.5
Australia	78.8	21.2	16.8	4.4

Source: Schools Commission, Australian Students and their Schools, Canberra, 1979

Evolution of Public Financial Support for Private Education - Public finance of private education in Australia has its origins in the period of settlement, when colonial governments followed the English practice of subsidizing church schools. (Interim Committee, 1973). During the late 19th century, however, the liberal desire to provide universal access to elementary education produced "free, compulsory and secular"

education acts in each of the colonies. (McKinnon and Hancock, 1979). Subsequently, systems of government (public) schools were established and public financial assistance to private and denominational schools was abolished.

When the Commonwealth of Australia was formed in 1901, the six newly-established States (formerly the colonies) were formally empowered with the responsibility for providing and financing public education; the Commonwealth role in this area was severely circumscribed. In addition, a clause (Section 116) which prohibited the passage of a law "establishing any religion" was included in the Constitution. For the next 50 years, this clause was considered to be a bar to Commonwealth aid to church-run schools and consequently as a prohibition of aid to private schools more generally.

In the early 1950's, the serious financial problems facing both government and non-government schools, stimulated in part by rapidly rising school enrollments, led to the first modest Commonwealth initiatives in support of private education. These early actions were all in the form of indirect assistance, i.e., tax deductions on the Federal income tax. The 1952 law permitted a deduction of school fees and the 1954 law the deduction of gifts to private schools for building purposes. (Smart, 1978). Over the next two decades the deductions were increased at regular intervals, reaching a maximum of A$400 in the 1974-75 school year. (McKinnon and Hancock, 1979).

In 1956, the first program of direct assistance to public and private schools was established by the Commonwealth in the Australian Capital Territory (ACT). Under this program, the Commonwealth agreed to pay up to five percent of the interest on loans for secondary school construction and expansion. (Smart, 1978). While the level of assistance under the program was minor, the Canberra scheme was viewed by many as the introduction of Commonwealth aid to primary and secondary schools (until this time Commonwealth aid was confined exclusively to the post-secondary school level), and as the beginning of the reintroduction of aid to private schools. Despite its tentative nature, it was seen as providing a significant precedent for more ambitious aid schemes in later years. (Smart, 1978).

The major breakthrough in Commonwealth aid to the schools sector did not occur, however, until the early 1960's. Faced with mounting political pressure and deteriorating conditions in education, the Liberal Government reversed its "no-aid" policy in the 1963 Federal election campaign and promised a Commonwealth aid scheme for science in secondary schools. As a result, a program of assistance for science laboratories and apparatus in public and private secondary schools was established — although with extremely modest funding.[2] This limited categorical program was consistent with the non-interventionist role of the Commonwealth and the primacy of the States in elementary and secondary education. As a capital program, in contrast with a program for current expenses, it did not require permanent Commwealth funding. Furthermore, by restricting funding commitments to secondary schools, it could be characterized as simply an extension of Commonwealth involvement in post-secondary education into the senior years of schooling, but not into schools in general. (Smart, 1978). The significance of the program, however, was not lost on observers of Australian education. Tannock noted that the precedent of direct Commonwealth assistance to independent schools established in the science program was "perhaps the most significant

[2] From 1963 to 1967, funds under the program were allocated between government and non-government schools in proportion to their secondary enrollments; subsequently, non-government school funds were calculated at double the rate for government schools. (Interim Report, 1973).

post-war educational initiative," as it destroyed an eighty-year old tradition of no Federal aid to the non-government school sector. (cited in Smart, 1978).

In 1968 the science program was followed by a second highly-specific, relatively inexpensive capital program for secondary school libraries for both government and non-government schools. Pressure for a more extensive Commonwealth commitment to meet recurring operating and capital costs, however, continued unabated. As a result, by the early 1970's, the Commonwealth had produced a collection of aid programs for public and private schools at both the primary and secondary school levels, including a per capita grant to independent schools for current operations, and a general purpose capital aid program for both school sectors.[3]

The six States also responded to this pressure by initiating programs and expanding financial support for non-government schools. In general this support took the form of per capita grants, distributed on the basis of equal dollars per student, with differentials for primary and secondary schools.[4] Other forms of aid included subsidies for payments on loans for school buildings, scholarships, allowances for textbooks, supplies and materials, and subsidies for student transportation. (Interim Report, 1973).

Current Commonwealth Programs - The present Commonwealth role in funding both government and non-government schools derives from the work of the Interim Committee for the Australian Schools Commission, appointed by the Labor Government after the 1972 general election. In its 1973 report, commonly referred to as the Karmel Report, the Committee recommended both a significant increase in Commonwealth funding for the schools and the development of a more coherent programs structure, based on the concept of educational "need" to replace the ad hoc collection of programs then in existence. The programs proposed by the Committee, designed to raise all schools in Australia to acceptable standards and provide equal educational opportunity for all children, underpin the current structure of Commonwealth aid to the government and non-government school sectors.[5] (Sherman, 1981).

Under these arrangements, financial assistance is provided through three sets of programs: "Government Schools Programs," which are for use in the government schools exclusively; "non-Government Schools Programs," which parallel those in the public sector, but are exclusively for use in the non-government schools; and "Joint Programs,"

[3]Grants under the current operations program were initially $35 per primary and $60 per secondary school student, but by 1973 were at a level of $62 and $104 per student respectively. (Interim Report, 1973).

[4]South Australia used a needs-based approach, with sliding scale grants distributed to schools on the basis of their assessed needs.

[5] The programs described here are administered by the Schools Commission, a Commonwealth agency established in 1973 to perform several functions, among them, the determination of "acceptable standards for primary and secondary schools," and the recommendation to the Minister of Education of "financial grants to assist schools and school systems." (Interim Report, 1973).

which both government and non-government schools participate. The first two groups programs include: a grant for general operating aid (General Recurrent Resources ogram) to raise the general resource base of schools; a block grant for capita costs apital Grants Program), to assist in the replacement and upgrading of school buildings; d three target-group programs, (Disadvantaged Schools, Special Education, Migrant ucation), designed to provide supplementary services for low socioeconomic, ndicapped, and limited-English speaking students respectively. The joint programs are categorical in nature and support a variety of activities in a range of areas including ulticultural education, staff development, educational innovation, and school level valuation. (Schools Commission, July, 1980).

nce funding for these programs was initiated in 1974, the preponderance of resources as been concentrated in the block grants, rather than in the specific-purpose programs. 1981, nearly 85 percent of the funds in the Non-Government Schools Programs were in he general recurrent grant alone. (See Table 3).

Table 3

Financial Allocations to Non-Government Schools, 1981
(December, 1980 prices)

Program	Allocation (A$ Thousands)	Percent
General Recurrent	$317,327	83.9%
Emergency Assistance	679	0.2
Migrant Education	11,698	3.1
Disadvantaged Schools	3,388	0.9
Special Education	3,820	1.0
Capital Grants	41,384	10.9
TOTAL	$378,296	100.0

Source: Schools Commission, Report for the Triennium 1982-84, Canberra March, 1981

Because of its large size, the method of distributing general funds is particularly important. Between 1974 and 1981, the Australian approach to funding general recurrent costs in non-government schools resembled the percentage equalizing formulas used by several of our States. Expenditure levels in government primary and secondary schools served as the standard for calculating aid to non-government schools. For each non-government school or system, a Schools Recurrent Resource Index (SRRI) was derived in the following way: The resources available from private sources such as tuition, fees, contributions, etc., was divided by the total resources required for the school or system to operate at the average cost of government schools. (Schools Commission, August, 1977).

$$\text{Thus, the SRRI} = \frac{\text{Private Resources Available}}{\text{Total Resources Required to Operate at Standard Government School Costs}} \times 100$$

Schools or systems were then categorized into six levels, based on their relative resource resource levels, with grant payments for schools set at different percentages of government school costs. Those with lower private resource levels received a higher subsidy than schools or systems with high private resource levels. Table 4 demonstrates the principle using Commonwealth payments to non-government schools for 1981, with aid based on standard government school costs of about A$1140 and A$1820 per primary and secondary student respectively.

Table 4

General Recurrent Grants Per Student
in Non-Government Schools, 1981

Subsidy Level	Primary		Secondary	
	Percentage of Standard Cost	Payment Per Student	Percentage of Standard Cost	Payment Per Student
1	16%	A$182	15%	A$273
2	20	228	19	346
3	20	228	20	365
4	24	274	23	419
5	28	319	27	492
6	35	399	33	602

Source: Schools Commission, Triennium 1979-81, Report for 1981, Canberra, July, 1980

One point concerning the treatment of Catholic schools should be noted. At the time the Interim Committee was considering the structure of the general recurrent grant, it was aware of the resource inequality and the unevenness of governance among Catholic parochial schools. (Interim Report, 1973). Consequently, to promote a more equitable distribution of resources across schools and to encourage the professionalization of administration, the Committee determined that Catholic schools would be treated systemically for aid purposes, rather than on the basis of individual school resources. Thus, average resource levels in all Catholic primary schools were compared with standard government primary school costs for the purpose of Commonwealth aid.

Since the recurrent grants for non-government schools began operating in 1974, several issues have been raised about them. Many of these issues are technical in nature, e.g., the measurement of "need" and the method of calculating aid under the resource index, differences in cost structures in government and non-government schools, the inability of schools to modify their enrollment patterns by shifting their fee structures and levels of government subsidies, and the conditions under which new schools could be funded; (Schools Commission, March, 1981) others, such as maintenance of financial effort by non-government schools, raised more fundamental questions about the whole grants structure. As a result, the Commonwealth modified its recurrent aid program for non-government schools for the 1982-84 triennium. Supplementary establishment grants were instituted for new non-government, non-systemic schools, grant levels were compressed from six groups into three, with subsidies fixed at different percentages of average government school costs, and "disposable income" was added as a factor in calculating expenditures from private sources. (Commonwealth Schools Commission, August, 1981).

As part of the transition arrangements, it was recommended that schools and systems in aid Levels 1-3 move into Group 1, those in Levels 4 and 5 move into Group 2 and those in Level 6 move into Group 3. For 1982, subsidy levels were fixed at 20 percent, and 38 percent of average standard government school costs for Groups 1-3 respectively, but in 1983, grants to Group 3 schools would be increased to 40 percent of average costs. As in the previous aid scheme, systemic schools would continue to receive block grants based on their "average costs" and would continue to distribute funds to individual schools on the basis of need.

Tax Concessions for Educational Expenses - The first actions taken by the Commonwealth in support of private education were the tax deductions cited in an earlier section. In the period from 1952 to 1975, the maximum deduction from the Federal income tax was increased periodically and the scope of items permitted for inclusion was widened to encompass expenditures other than those directed to institutions. (McKinnon and Hancock, 1979). Thus, parents with students enrolled in government schools gained some benefits from its operation, although generally not to the extent as parents of children enrolled in more expensive non-government schools. (McKinnon and Hancock, 1979).

While the magnitude and structure of the tax concession changed over time, it generally took the form of a reduction in taxable income, with the benefit related to the amount spent on education (up to a specified limit) and the level of taxable income of the taxpayer. (McKinnon and Hancock, 1979). Thus the instrument was of selective benefit to higher income taxpayers. With the increase in direct Commonwealth payments to schools, however, actions were taken to make the tax concession more equitable among income earners at different points of the income taxation scale. In 1974-75 the Commonwealth Government reduced the maximum concessional deduction from A$400 per year to A$150 per year, and in 1975-76 the deduction was replaced altogether by a tax credit of 40 percent of educational expenditures up to a maximum level of A$250. (McKinnon and Hancock, 1979). The tax credit is currently still in effect, although it has declined significantly as a financial instrument with the large increase in Commonwealth institutional support for the non-government schools.

The Magnitude of Commonwealth Support for Non-Government Schools - Public expenditure for primary and secondary education in Australia totalled approximately A$3.8 billion in 1978-79.[6] Expenditures by State Governments, which include such indirect Commonwealth aid as tax sharing revenues, comprised about 82 percent of the total, while direct Commonwealth support comprised the remaining 18 percent. Non-government schools, with about 21 percent of school enrollments, received about 39 percent of Commonwealth expenditures and about 11 percent of State and Commonwealth expenditures combined. (See Table 5).

While Commonwealth support for government schools was higher in absolute dollars than support for non-government schools, relative Commonwealth support was higher in the non-government schools sector — 65 percent of public expenditures, compared with 12.5 percent in government schools. In the area of capital expenditures, the Commonwealth is completely dominant, as State Governments do not finance any capital expenditures in non-government schools.

[6] The Schools Commission calculated expenditures in 1978-79 at $A4.48 billion in December, 1980 prices. The $3.8 figure is estimated at current 1978-79 prices, based on Schools Commission deflation factors.

Table 5

Commonwealth and State Government Expenditures
in Schools in the States, 1978-79

Type of Expenditure	State Governments		Commonwealth Government	
	Expenditure Current Prices (A$ thousands)	Percent	Expenditure Current Prices (A$ thousands)	Percent
GOVERNMENT SCHOOLS				
Recurrent Expenditure	A$2675.4	90.8%	A$272.1	9.2%
Capital Expenditure	319.7	68.0	150.6	32.0
Total Expenditure	2995.1	87.6	422.6	12.4
NON-GOVERNMENT SCHOOLS				
Recurrent Expenditure	146.3	38.8	230.5	61.2
Capital Expenditure	0.0	0.0	41.5	100.0
Total Expenditure	146.3	35.0	272.0	65.0
ALL SCHOOLS				
Recurrent Expenditure	2821.7	84.9	502.6	15.1
Capital Expenditure	319.7	62.5	192.0	37.5
Total Expenditure	3141.4	81.9	694.6	18.1

Source: Schools Commission, Report for the Triennium, 1982-84, March 1981, (Expenditures expressed in current prices are derived from Schools Commission deflation factors from December, 1980 constant prices.)

As a proportion of resources, Commonwealth grants represent a significant source of revenue for non-government schools, although there are important differences between Catholic and other non-government schools. In Catholic schools, Commonwealth expenditures comprised about 45 percent of current operating outlays at the primary level in 1978-79 and about 41 percent of outlays at the secondary level; in other non-government schools the proportions were 22 percent and 20 percent respectively. Resources from private inputs and contributed services showed the reverse pattern. Only about one-third of expenditures in Catholic schools were from these sources, while in other non-government schools, private inputs and contributed services provided about two-thirds of expenditures. (See Table 6.)

Table 6

Current Operating Expenditures* in Non-Government Schools by Source of Funding, 1978-79**

Source of Expenditure	Catholic Primary Schools		Other Non-Government Primary Schools		Catholic Secondary Schools		Other Non-Government Secondary Schools	
	Expenditure Per Pupil	Percent of Total Exp.	Expenditure Per Pupil	Percent of Total Exp.	Expenditure Per Pupil	Percent of Total Exp.	Expenditure Per Pupil	Percent of Total Exp.
Commonwealth Grant	399	45.0%	278	21.9%	570	40.7%	384	19.5%
State Grant	205	23.1	207	16.3	346	24.7	357	18.1
Private Input	130	14.7	605	47.8	330	23.5	1,224	62.2
	734		1,089		1,246		1,964	
Contributed Services	151	17.0	177	14.0	155	11.1	4	0.2
	855		1,267		1,402		1,968	
Government School Expenditure	1,224		1,224		1,999		1,999	
Percent of Gov't. School Expenditure	72.4%		103.5%		70.1%		98.4%	

SOURCE: Schools Commission, Report for the Triennium, 1982-84, Canberra, March, 1981.

* Includes estimated value of contributed services and debt servicing.

** Estimates based on December, 1980 price levels.

On a per pupil basis, expenditures in the non-government school sector differed significantly in relation to government school costs. In 1978-79, government schools spent about A$1047 for current operations at the primary level and about A$1709 at the secondary level.[7] Catholic school expenditures, including the value of contributed services, were only about 70 percent of government school expenditures, while expenditure levels in other non-government schools were 103.5 percent and 98 percent of government school expenditures at the primary and secondary levels respectively. It is important to note, however, that, despite significant increases in State and Commonwealth expenditures in non-government schools during the 1970's, both Catholic and other non-government schools showed a slight decline in expenditures relative to government school averages over the period. This was due in large measure to the massive decline in the value of contributed services and, with the exception of the Catholic primary schools, to a decline in the real value of private resources, after taking inflation into account. (See Table 7).

Issues Surrounding Commonwealth Funding of Non-Government Schools

Until the 1950's, popular opposition and the prevailing view regarding the religious establishment clause of the Australian Constitution foreclosed any Commonwealth aid to the non-government school sector. With the initiation of aid, however, first indirectly in the form of tax deductions and later as small parts of modest Commonwealth categorical programs, public hostility to government aid gradually dissipated. Once in place, aid programs tended to be accepted by the community at large, if not by the established educational interest groups. (Smart, 1978). With the rapid increase in Commonwealth funding, however, during the mid-1970's, several issues were raised about Commonwealth involvement in this area, including the constitutionality of the aid schemes themselves. A legal challenge to Commonwealth aid in Australia's High Court brought the issue to the forefront of public and government attention.

The challenge was brought by a group of plaintiffs which included the Attorney General of the State of Victoria, residents and taxpayers of Victoria, New South Wales, the Australian Capital Territory, and Tasmania, some of whom were parents of children attending government schools. The defendants in the case were the Commonwealth Government, the National Council for Independent Schools, and a representative of the non-government schools. Under challenge in the case were the States Grants Acts, and several other statutes which authorized Commonwealth payments to non-government schools. The central point at issue in the case was whether these acts violated Section 116 of the Australian Constitution, the establishment of religion provision modeled on the First Amendment to the American Constitution.

Throughout the proceeding, there was considerable reference to Supreme Court rulings on the First Amendment in the United States. Plaintiffs in the case argued that Section 116, like the current interpretation of the First Amendment, required a complete separation of church and state and foreclosed most forms of government financial support for church-affiliated schools. Defendants countered with the view that the Commonwealth was precluded from any action which established a single religion, but was not barred from actions which treated all religious groups in a non-preferential manner, as in Commonwealth aid programs. Further, in the High Court decision of

[7] The figures in Table 7 are expressed in December, 1980 prices. Primary school costs of A$1047 in current prices were A$1224 in 1980 prices; secondary school costs of A$1709 were valued at A$1999 in December, 1980 prices.

Table 7

Non-Government School Expenditures as a Proportion of Government School Expenditures, 1973-74 to 1978-79

PRIMARY SCHOOLS

	Government Schools		Catholic Schools		Other Non-Government Schools	
	Current Dollars	December 1980 Prices	December 1980 Prices	Percent of Govt. School Expdtre.	December 1980 Prices	Percent of Govt. School Expdtre.
1972-73	327	795				
1973-74	408	860	695	80.8%	1,015	118.0%
1974-75	570	974				
1975-76	726	1,078	786	72.9%	1,115	103.4%
1976-77	854	1,145	825	72.1%	1,089	102.2%
1977-78	964	1,195				
1978-79	1,047	1,224	886	72.4%	1,267	103.5%

SECONDARY SCHOOLS

	Government Schools		Catholic Schools		Other Non-Government Schools	
	Current Dollars	December 1980 Prices	December 1980 Prices	Percent of Govt. School Expdtre.	December 1980 Prices	Percent of Govt. School Expdtre.
1972-73	573	1,394				
1973-74	715	1,507	1,128	74.9%	1,800	119.4%
1974-75	965	1,650				
1975-76	1,188	1,764	1,251	70.9%	1,848	104.8%
1976-77	1,367	1,834	1,279	69.7%	1,922	104.8%
1977-78	1,547	1,918				
1978-79	1,709	1,999	1,402	70.1%	968	98.4%

Source: Schools Commission, Report for the Triennium 1982-84, March, 1981

*Non-Government school expenditures include contributed services.

February, 1981, all of the Justices related their opinions to judicial interpretations of the American Constitution. In upholding the constitutionality of the aid programs, however, most went to great lengths to distinguish the Australian situation from current American court rulings.

Two main points of distinction are important to note. The first centers on the specific language of the constitutional provisions. Where the First Amendment provides that "Congress shall make no law respecting an establishment of religion, or for prohibiting the free exercise thereof...," Section 116 of the Australian Constitution provides that "The Commonwealth shall not make any law for establishing any religion, or for imposing any religious observance, or for prohibiting the free exercise of any religion..." In the view of most of the Justices, that the Australian clause had a much narrower meaning than its American counterpart. To quote Justice Wilson:

> ...the words 'for establishing' convey the sense of 'in order to establish' and speak quite specifically of the purpose of the law in terms of the ends to be achieved. 'Respecting' conveys the notion 'in respect of' a particular subject matter, namely, an establishment of religion, thereby providing a broad frame of reference. (High Court Opinion, p. 73).

The narrow construction of Section 116 limited its meaning to the establishment of a single religion. In the words of Justice Gibbs and Justice Mason:

> The natural meaning of the phrase 'establish any religion' is...to constitute a particular religion or religious body as a state religion or state church. (High Court Opinion, Justice Gibbs, p. 20)

> By it ('establishing any religion') we mean the authoritative establishment or recognition by the State of a religion or church as a national institution. (High Court Opinion, Justice Mason, p. 36)

The second point of difference centers on interpretation of the American Constitution at the turn of the century and during the current period. Most of the Justices were aware that deliberations on the Australian Constitution of 1901, including the development of Section 116, were strongly influenced by American constitutional interpretation. At that time, however, the prevailing meaning of the First Amendment was not the "wall of separation," established by recent Supreme Court decisions. To quote Justice Stephen on this point:

> ...as to the understanding of the meaning of the First Amendment prevailing in the 1890s; despite its different and wider wording, the First Amendment was understood as requiring only that no national church should be recognized or created and no one persuasion or mode of worship should be given any special privilege or particular recognition. (High Court Opinion, p. 31)

It followed that "even if the framers of (the Australian) Constitution had seen fit to adopt verbatim the terms of the First Amendment, they would have been doing no more than writing into (the) Constitution what was then believed to be a prohibition against two things, the setting up of a national church and the favoring of one church over

another. They would not have been denying power to grant non-discriminatory financial aid to churches or church schools." (High Court Opinion, Justice Stephen, p. 31). Commonwealth aid to non-government schools, which simply treated all church-affiliated schools non-preferentially, therefore did not run afoul of Section 116.

A final point concerning the relevance of American court rulings for High Court decisions does not bear directly on the case, but is interesting nonetheless. Plaintiffs in the case at least implied that where American and Australian Constitutional provisions were quite similar, that Supreme Court rulings should carry significant weight in shaping the rulings of the High Court. The Justices, while respectful of Supreme Court decisions, were clearly of the mind that they were merely advisory, rather than controlling in relation to Australia. As Justice Wilson states, "Although we naturally regard the decisions of the Supreme Court of the United States with the greatest regard, it must never be forgotten that they are often given against a different constitutional, legal, and social background from that which exists in Australia." (High Court Opinion, p. 72). And Justice Murphy, the lone dissenter in the case, echoed this view with reference to an early High Court Opinion:

> So far...as the United States Constitution and the Constitution of the Commonwealth are similar, the construction put upon the former by the Supreme Court of the United States may well be regarded by us in construing the Constitution of the Commonwealth, not as an infallible guide, but as most welcome aid and assistance. (High Court Opinion, p. 50).

While the constitutionality of Commonwealth financial aid to the non-government schools has been decided affirmatively by the Australian High Court, the decision has not eliminated several of the other issues which currently surround Commonwealth aid. One of the most important of these issues concerns the relative size of Commonwealth contributions to the government and non-government school sectors, and the consequences of extensive funding of non-government schools for enrollments in the two school sectors.

Two trends in Australian education are directly relevant to this issue: enrollment trends and financial support patterns. The static picture of enrollments presented in an earlier section does not convey the magnitude of change that has occurred in Australia during the past 20 years and the changes which are anticipated over the next decade. During the 1960's and for much of the 1970's, the number of children enrolled in schools in Australia grew rapidly at both the primary and secondary levels. However, since growth rates in the government school sector exceeded those in non-government schools, the porportion of children in non-government schools declined consistently, reaching a low point of 21.2 percent in 1978. With the onset of declining enrollments in the later 1970's, this pattern has already begun to reverse itself. Government school enrollments are dropping, while non-government school enrollments continue to increase. It is thus expected that the proportion of children in non-government schools may return to or even exceed the 24 percent level which characterized Australian schools in the 1950's and early 1960's. (See Table 8).

Table 8

ENROLLMENTS IN GOVERNMENT AND NON-GOVERNMENT SCHOOLS, SELECTED YEARS 1963-1984

	Total Govt. Schools	Enrollment Non-Govt. Schools	Primary Govt. Schools	Enrollment Non-Govt. Schools	Secondary Govt. Schools	Enrollment Non-Govt. Schools
1963(a)	76.1%	23.9%	77.3%	22.7%	73.1%	26.9%
1968(a)	77.4	22.6	78.8	21.2	74.6	25.4
1973(b)	78.5	21.5	80.2	19.8	75.6	24.4
1978(b)	78.8	21.2	80.8	19.2	75.1	24.9
1980(c)*	77.7	22.3	80.0	20.0	73.6	26.4
Projections						
1984 (Lower)(c)	76.0	24.0	78.3	21.7	72.7	27.3
1984 (Upper)(c)	74.3	25.7	76.2	23.8	71.5	28.5

Sources: (a) Interimcommittee in Australia, Canberra, 1973

(b) Schools Commission, Australian Students and their Schools, Canberra, 1979

(c) Schools Commission, Report for the Triennium 1982-1984, Canberra, March, 1981

*Preliminary Estimates

At the same time, there has been a significant increase in the level of Commonwealth funding for non-government schools, as well as in the proportion of Commonwealth funds going to the non-government school sector. Table 9 demonstrates these trends by comparing actual Commonwealth aid distributions to the government and non-government school sectors for the period 1975-76 to 1979-80, Calendar Year 1981, and proposed distributions for Calendar Year 1982. Over the seven-year period, total Commonwealth aid to government schools had a cyclical pattern: real increases in aid were followed by declines, and then by an upturn early in the 1980's. At the end of the period, however, Commonwealth aid in real terms was still slightly lower than it was in the mid-1970's. Aid for recurrent expenditures showed a similar patern, although in real terms it was about 9 percent higher in 1982 than in 1975-76. In contrast, Commonwealth aid for the non-government schools increased steadily in real terms throughout the period. By 1982, nearly half (47.1 percent) of Commonwealth aid for all expenditures was in the non-government school sector, and over half of aid for recurrent expenditures (52.5 percent) was in non-government schools.

Table 9

Commonwealth Government Expenditures in Government and Non-Government Schools: 1975-76 to 1982

School Sector	1975-76	1976-77	1977-78	1978-79	1979-80 (est.)	1981 (proposed)	1982 (proposed)
Government Schools							
Recurrent	$A321.3	$A336.7	$328.5	$A318.1	$A315.2	$A323.0	$A349.6
Capital	191.5	185.1	201.6	175.9	129.3	118.7	130.6
Total	512.8	521.8	530.1	494.0	444.5	441.7	480.2
Non-Government Schools							
Recurrent	$A196.5	$A240.4	$A248.1	$A269.5	$A293.3	$A381.1	$A386.6
Capital	49.5	30.2	43.2	48.5	33.6	41.4	41.8
Total	246.0	270.6	291.3	318.0	326.9	422.5	428.4
All Schools							
Recurrent	$A517.8	$A577.1	$A576.6	$A487.6	$A608.5	$A704.1	$A736.2
Capital	241.0	215.3	244.8	224.4	162.9	160.1	172.4
Total	758.8	792.4	821.4	812.0	771.4	864.2	908.6

All Expenditures are expressed in constant December, 1980 price levels.

Source: Schools Commission, Report for the Triennium 1982-84, Canberra, March, 1981

While there is not a causal linkage between government funding and increased private school enrollments, the Schools Commission itself recognizes that Commonwealth funding policies have contributed to the growth in non-government school enrollments. (Schools Commission, March, 1981). Extensive financial support for capital costs has enabled non-government schools to acquire or construct the facilities to meet the demand for private education. This has been particularly important for Catholic schools which can now expand in growing suburbs. Further, the underwriting of a large proportion of recurrent costs has given low-resource Catholic schools the option to decrease pupil-teacher ratios and compete with government schools in terms of school resources. While ratios in the Catholic sector have not declined as rapidly as some had anticipated, given the large increase in Commonwealth funding, they were much closer to government school ratios at the end of the 1970's than they were earlier in the decade. (Interim Report, 1973, Schools Commissions, 1979a).

With the proportion of Commonwealth resources in the non-government school sector now exceeding government school aid, Commonwealth aid policy is certain to be an important political issue in the 1980's. For the first time in the history of the Schools Commission, the parent and teacher representatives on the Commission filed a minority report, dissenting from the Commission's recommendations on aid to the two school sectors. (Commonwealth Schools Commission, Minority by Statement, August, 1951.) A high degree of consensus about Commonwealth aid to education may well be replaced by more intense competition for scarce public resources.

Observations about Australia and Implications for the United States

Attempts to generalize across countries and to make inferences about policy implications are inevitably fraught with difficulty. While countries share some contextual similarities, they also differ on a range of dimensions that affect policy outcomes. Australia and the United States, for example, share some common history and traditions, a federal form of government, and a concern with similar educational problems, but differ in the structure of their political institutions, the relationship between Federal and State Governments, the role of courts in educational policy, and other important areas. In addition, the recent High Court decision places aid to private education in a much different position in Australia than it is in the United States. There are, nonetheless, certain observations about the finance of private education in Australia which put the issue in a broader perspective for American policymakers, and may provide some useful insights for the current policy debates in this country.

Australian initiatives for private education have been marked by several distinctive characteristics. First, they have generally been incorporated into a broader scheme of assistance to both government and non-government schools. Even in the case of the tax deductions of the 1950's where parents of children in non-government schools were primary beneficiaries of government aid, parents of government school children received some benefits, since primary and secondary schools require parental contributions to meet a small portion of their operating costs. Similarly, the categorical programs of the 1960's and the Schools Commission programs of the 1970's had either government and non-government school components, parallel programs for each sector, or joint programs in which both school sectors could participate.

Second, large-scale Commonwealth institutional funding of non-government schools, with its focus on equality of eductional opportunity, was enacted as part of a more comprehensive program to upgrade the general quality of primary and secondary education in Australia. The common perception is that equality and quality are conflicting rather than complementary goals of education policy. Yet the Australian

approach to funding attempted to pursue both of these goals simultaneously. Aid programs included large block grants to both school sectors to provide the underpinnings of a quality education for all Australian children, but within the non-government schools program aid was tied to government school costs and low resource schools received higher levels of subsidy.

Third, when the major private school funding initiatives were first enacted, the cost of the aid scheme was quite small relative to the total Commonwealth education budget, and the proportion of funds received by non-government schools was relatively low in comparison with government schools. During the first years of Schools Commission programs, the non-government schools received less than one-third of Commonwealth funds; the remaining two-thirds was in government schools programs.

These dimensions of Commonwealth support for private education suggest some conditions which appear to be essential for such a controversial aid scheme to be enacted. One is that the aid program not be perceived as an exclusively private school initiative. By incorporating non-government school aid into a broader aid scheme, it may be possible to diffuse the opposition of potentially hostile interest groups and make the program more palatable to a broader public. A second is that benefits to the private school sector should not be seen as dominating the total package. By including private school aid within a larger aid package in which government schools are the primary beneficiary, the visibility of private school aid is reduced and the possibility of passage is enhanced.

It is almost a truism to observe that new aid initiatives for private schools are more feasible in a period of economic expansion than at a time of fiscal stress. This has certainly been the situation in Australia. During the early 1970's, when the Commonwealth contribution to the schools sector increased severalfold, opposition by the public educational establishment to sharing the growth in revenues with non-government schools was relatively quiet. In contrast, during the late 1970's, when Commonwealth support to the schools sector remained fairly constant in real terms and non-government schools have drawn an increasingly larger share of this fixed pie, political opposition to private school funding has mounted. The legal challenge to aid and the recent dissent by interest group representatives from the Schools Commission's funding recommendations are the most obvious manifestations of this opposition.

Another important aspect of Commonwealth funding of non-government schools is its incremental evolution over a period of nearly thirty years. It began as indirect assistance in the form of tax deductions, developed into limited categorical programs for capital projects, and emerged as broad-based general aid and special purpose grants in areas of national concern. In an area as controversial as government funding of private schools, an evolutionary approach is consistent with one's a priori assumptions about policy development. It is difficult for this type of policy to get enacted to begin with and it takes time for the policy to gain public acceptance. However, once programs have been enacted, they tend to develop a constituency for a more extensive commitment of public financial resources. Public acceptance of what was at the outset a small-scale private school funding scheme paved the way in Australia for more comprehensive and costly Commonwealth initiatives. Given the present scale of aid to private schools, it is hard to imagine a complete reversal of course in which government funding would be reduced significantly or eliminated totally.

Turning now to the policy questions raised at the beginning of the paper, what does the Australian experience suggest might be the impact of government funding of private schools on school enrollments, financial support for public schools, and private school

regulation in the United States? The conclusions are not definitive but do point in certain directions.

Concerning the impact of funding on school enrollments, it is clear that changes in enrollment patterns will be affected by (1) the type of funding mechanism, (2) its relative support level, and (3) general enrollment trends. In Australia tax deductions were instituted during a period of great enrollment growth, an expansion of educational provision in the upper secondary school sector, and a decline in Catholic schools, produced by a lack of financial resources. In this environment, the modest tax credits were insufficient to halt the decline in private schools. Whether they would produce these enrollment shifts during a period of stable enrollments and a financially solvent private sector is unclear. However, it is clear that under these conditions direct, large-scale institutional support, particularly for capital costs, does enable private schools to compete effectively for students. For the foreseeable future in Australia, it is expected that the non-government schools will continue to draw enrollments away from the government school sector.

As to the impact of government funding of private schools on public school funding, the Australian experience suggests that non-government schools are able to compete effectively for limited public resources, once aid programs have been enacted. In the period between 1975-76 and 1979-80, Commonwealth aid to the government school sector declined in real terms by about 4 percent, while aid to the non-government schools increased by nearly 30 percent. In part, this rise was attributable to the type of funding mechanism used to finance recurrent costs. Non-government school aid was tied to average government school costs, including contributions from both State and Commonwealth Governments. Thus, as government school costs rose, aid to non-government schools rose accordingly. In addition, however, there was a strong constituency for non-government school aid which was able to exercise its political influence to secure a higher proportion of government funds.

Finally, concerning the impact of government funding on the autonomy of non-government schools, the evidence suggests that, at least to date in Australia, Commonwealth funding has not been accompanied by increased regulation of the schools. (Interviews with representatives of non-government school organizations, November, 1980). By and large, government intervention into school matters has been limited to health and safety concerns, not educational policy issues such as curriculum and staff certification. One important change has been in the area of accounting. Non-government schools must provide the Schools Commission with a detailed annual report on revenues and expenditures which has no parallel in the government schools. However, these reports are limited in their use to calculation of the resource index which ties government subsidies to private resource levels in non-government schools. They are not used to determine school resource allocations or to establish spending levels or priorities. Also, in the programs for special pupil populations such as the disadvantaged and the handicapped, non-government — as well as government — schools must conform to Schools Commission guidelines about program purposes, funds allocations, and permissible uses of funds. But these guidelines permit a wide range of activities and are generally not viewed as a major restriction on local discretion. (Sherman, 1981).

Some recent developments in Australia do suggest, however, a possible increase in government regulation of the schools in the future. As the combined Commonwealth and State share of private school costs is now 60 percent or higher in some low-resource schools, the question arises whether these schools should be subject to the same kinds of educational standards as government schools. Moreover, in the last few years, there has been a significant growth in Fundamentalist schools in parts of Australia. This trend has

raised concern among the more traditional educational groups about the competence of professional staff and the breadth of curriculum and has led to increased pressure on State Governments to regulate these schools based on government school standards. (Interviews, November, 1980)

Concluding Remarks

For the immediate future, the Commonwealth Government in Australia appears to be committed to its policy of promoting both choice and equity in elementary and secondary education through its aid programs for government and non-government schools. With the High Court decision upholding the constitutionality of Commonwealth aid programs earlier this year, the course appears to be quite secure. However, the changing economic and political dynamic of Commonwealth aid over the next few years should be interesting to observe, and may provide some additional insights for American policymakers as they consider new Federal initiatives to aid private education.

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